

**Course:** FIN 6301  
**Semester:** Fall 2015  
**Classroom:** JSOM 11.210  
**Class hours:** Tuesday, 7:00PM to 9:45PM

**Instructor:** Michael Rebello  
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**Office:** JSOM 14.222

**Office hours:** Tuesday 5:30PM to 6:30PM  
Thursday 2:30PM to 3:30PM or by appointment

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**Course Pre-requisites, Co-requisites, and/or Other Restrictions**

The co-prerequisites for FIN 6301 are OPRE 6301 and ACCT 6201 or ACCT 6305.

I expect you to be familiar with the spreadsheet package EXCEL. It would also help you to be familiar with a financial calculator of your choice. Ideally I would like you to be able to solve all problems in this course (a) using a regular calculator, (b) a financial calculator, and (c) Excel.

**Course Description**

This course is an introduction to Corporate Finance and will provide you with the tools necessary to deal with important issues that are central to finance and financial management. You will first be exposed to a fundamental tenet in finance, the “time value of money,” and apply this concept to value financial securities including stocks and bonds. Next you will examine how risk is priced and reflected in security returns. You will then apply these insights to “capital budgeting,” the process firms use to make investment decisions. Finally, you will be taught how to analyze corporate financing decisions and incorporate the effects of firms’ financing decisions on firm value and project valuation.

This is a lecture-based course. Given the quantitative nature of the subject matter we will devote a substantial amount of class time to problem solving.

**Student learning objectives/outcomes**

By the time you complete this course, you should be able to

1. Apply the time value of money concept to various valuation problems
2. Incorporate the effect of risk into the valuation of stocks, bonds, and capital investments
3. Describe what drives a firm’s cost of capital and how to estimate it
4. Analyze strategic investment in real and financial assets using various methodologies
5. Adjust value estimates to reflect firm’s financing choices

**Required Text**

Ross, Westerfield and Jaffe, *Corporate Finance*, 10th edition

**Suggested reading materials**

The Wall Street Journal and other publications such as Business Week and The Economist.

**Grading policy**

Your course grade will be determined by your scores on problem sets, three midterm exams, and the **final exam**. The weights assigned to your scores on these assignments will be as follows:

Problem Sets    20%

Midterm One	20%
Midterm Two	20%
Final exam	40%

### **Course Policies**

Hard copies of answers to problem sets must be turned in before the start of the class on the day they are due. Only in the case of an excused absence will I accept an electronic version of the answers. These too must be turned in before the start of class on the day the problem set is due. You will receive a score of zero for any problem set that is not turned in on time. There will be no make up problem sets.

There will be no make up exams. If you cannot take a midterms exam with the rest of your classmates, you will have to take it before they do. I have to be informed of any conflict well in advance and supplied with acceptable documentation demonstrating the conflict.

No one will be able to earn extra credit. Only the assignments listed above will count toward your grade.

I will not keep track of your attendance. You are responsible for material that is covered in any class that you miss.

You should try and answer all the conceptual questions at the end of the chapters of the textbook we will cover. At the minimum, you should attempt every one of the suggested problems listed above.

When in class **TURN OFF YOUR CELL PHONES and LAPTOPS.** I expect you to work through problems I assign in class and participate actively in all class discussions.

### **Technical Support**

If you experience any problems with your UTD account you may send an email to: [assist@utdallas.edu](mailto:assist@utdallas.edu) or call the UTD Computer Helpdesk at 972-883-2911.

### **Field Trip Policies**

There will be no field trips in this course.

### **Student Conduct & Discipline**

The University of Texas System and The University of Texas at Dallas have rules and regulations for the orderly and efficient conduct of their business. It is the responsibility of each student and each student organization to be knowledgeable about the rules and regulations that govern student conduct and activities. General information on student conduct and discipline is contained in the UTD printed publication, A to Z Guide, which is provided to all registered students each academic year.

The University of Texas at Dallas administers student discipline within the procedures of recognized and established due process. Procedures are defined and described in the Rules and Regulations, Series 50000, Board of Regents, The University of Texas System, and in Title V, Rules on Student Services and Activities of the university's Handbook of Operating Procedures. Copies of these rules and regulations are available to students in the Office of the Dean of Students, where staff members are available to assist students in interpreting the rules and regulations (SU 1.602, 972/883-6391) and online at <http://www.utdallas.edu/judicialaffairs/UTDJudicialAffairs-HOPV.html>

A student at the university neither loses the rights nor escapes the responsibilities of citizenship. He or she is expected to obey federal, state, and local laws as well as the Regents' Rules, university regulations, and administrative rules. Students are subject to discipline for violating the standards of conduct whether such conduct takes place on or off campus, or whether civil or criminal penalties are also imposed for such conduct.

### **Academic Integrity**

The faculty expects from its students a high level of responsibility and academic honesty. Because the value of an academic degree depends upon the absolute integrity of the work done by the student for that degree, it is imperative that a student demonstrate a high standard of individual honor in his or her scholastic work.

Scholastic Dishonesty, any student who commits an act of scholastic dishonesty is subject to discipline. Scholastic dishonesty includes but is not limited to cheating, plagiarism, collusion, the submission for credit of any work or materials that are attributable in whole or in part to another person, taking an examination for another person, any act designed to give unfair advantage to a student or the attempt to commit such acts.

Plagiarism, especially from the web, from portions of papers for other classes, and from any other source is unacceptable and will be dealt with under the university's policy on plagiarism (see general catalog for details). This course will use the resources of [turnitin.com](http://turnitin.com), which searches the web for possible plagiarism and is over 90% effective.

### **Copyright Notice**

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted materials, including music and software. Copying, displaying, reproducing, or distributing copyrighted works may infringe the copyright owner's rights and such infringement is subject to appropriate disciplinary action as well as criminal penalties provided by federal law. Usage of such material is only appropriate when that usage constitutes "fair use" under the Copyright Act. As a UT Dallas student, you are required to follow the institution's copyright policy (Policy Memorandum 84-I.3-46). For more information about the fair use exemption, see <http://www.utsystem.edu/ogc/intellectualproperty/copypol2.htm>

## **Email Use**

The University of Texas at Dallas recognizes the value and efficiency of communication between faculty/staff and students through electronic mail. At the same time, email raises some issues concerning security and the identity of each individual in an email exchange. The university encourages all official student email correspondence be sent only to a student's U.T. Dallas email address and that faculty and staff consider email from students official only if it originates from a UTD student account. This allows the university to maintain a high degree of confidence in the identity of all individual corresponding and the security of the transmitted information. UTD furnishes each student with a free email account that is to be used in all communication with university personnel. The Department of Information Resources at U.T. Dallas provides a method for students to have their U.T. Dallas mail forwarded to other accounts.

## **Withdrawal from Class**

The administration of this institution has set deadlines for withdrawal of any college-level courses. These dates and times are published in that semester's course catalog. Administration procedures must be followed. It is the student's responsibility to handle withdrawal requirements from any class. In other words, I cannot drop or withdraw any student. You must do the proper paperwork to ensure that you will not receive a final grade of "F" in a course if you choose not to attend the class once you are enrolled.

## **Student Grievance Procedures**

Procedures for student grievances are found in Title V, Rules on Student Services and Activities, of the university's Handbook of Operating Procedures.

In attempting to resolve any student grievance regarding grades, evaluations, or other fulfillments of academic responsibility, it is the obligation of the student first to make a serious effort to resolve the matter with the instructor, supervisor, administrator, or committee with whom the grievance originates (hereafter called "the respondent"). Individual faculty members retain primary responsibility for assigning grades and evaluations. If the matter cannot be resolved at that level, the grievance must be submitted in writing to the respondent with a copy of the respondent's School Dean. If the matter is not resolved by the written response provided by the respondent, the student may submit a written appeal to the School Dean. If the grievance is not resolved by the School Dean's decision, the student may make a written appeal to the Dean of Graduate or Undergraduate Education, and the dean will appoint and convene an Academic Appeals Panel. The decision of the Academic Appeals Panel is final. The results of the academic appeals process will be distributed to all involved parties.

Copies of these rules and regulations are available to students in the Office of the Dean of Students, where staff members are available to assist students in interpreting the rules and regulations.

## **Incomplete Grade Policy**

As per university policy, incomplete grades will be granted only for work unavoidably missed at the semester's end and only if 70% of the course work has been completed. An incomplete grade must be resolved within eight (8) weeks from the first day of the subsequent long semester. If the required work to complete the course and to remove the incomplete grade is not submitted by the specified deadline, the incomplete grade is changed automatically to a grade of F.

## **Disability Services**

The goal of Disability Services is to provide students with disabilities educational opportunities equal to those of their non-disabled peers. Disability Services is located in room 1.610 in the Student Union. Office hours are Monday and Thursday, 8:30 a.m. to 6:30 p.m.; Tuesday and Wednesday, 8:30 a.m. to 7:30 p.m.; and Friday, 8:30 a.m. to 5:30 p.m.

The contact information for the Office of Disability Services is:

The University of Texas at Dallas, SU 22

PO Box 830688

Richardson, Texas 75083-0688

(972) 883-2098 (voice or TTY)

disabilityservice@utdallas.edu

If you anticipate issues related to the format or requirements of this course, please meet with the Coordinator of Disability Services. The Coordinator is available to discuss ways to ensure your full participation in the course. If you determine that formal, disability-related accommodations are necessary, it is very important that you be registered with Disability Services to notify them of your eligibility for reasonable accommodations. Disability Services can then plan how best to coordinate your accommodations.

It is the student's responsibility to notify his or her professors of the need for such an accommodation. Disability Services provides students with letters to present to faculty members to verify that the student has a disability and needs accommodations. Individuals requiring special accommodation should contact the professor after class or during office hours.

## **Religious Holy Days**

The University of Texas at Dallas will excuse a student from class or other required activities for the travel to and observance of a religious holy day for a religion whose places of worship are exempt from property tax under Section 11.20, Tax Code, Texas Code Annotated.

The student is encouraged to notify the instructor or activity sponsor as soon as possible regarding the absence, preferably in advance of the assignment. The student, so excused, will be allowed to take the exam or complete the assignment within a reasonable time after the absence: a period equal to the length of the absence, up to a maximum of one week. A student who notifies the instructor and completes any missed exam or assignment may not be penalized for the absence. A student who fails to complete the exam or assignment within the prescribed period may receive a failing grade for that exam or assignment.

If a student or an instructor disagrees about the nature of the absence [i.e., for the purpose of observing a religious holy day] or if there is similar disagreement about whether the student has been given a reasonable time to complete any missed assignments or examinations, either the student or the instructor may request a ruling from the chief executive officer of the institution, or his or her designee. The chief executive officer or designee must take into account the legislative intent of TEC 51.911(b), and the student and instructor will abide by the decision of the chief executive officer or designee.

**These descriptions and timelines are subject to change at the discretion of the Professor.**

### Proposed schedule

Week	Topic/Event	Suggested Problems
1	<p>Introduction and overview (Ch 1)</p> <ul style="list-style-type: none"> <li>What is financial management?</li> <li>What is an appropriate objective function for corporate financial decisions?</li> </ul> <p>Time value of money (Ch 4)</p> <ul style="list-style-type: none"> <li>The law of one price (No arbitrage)</li> <li>Opportunity cost</li> <li>One-period discounting</li> <li>Present value and future value</li> <li>Compounding</li> <li>Multi-period discounting</li> </ul>	Ch. 4. P. 3, 4, 5, 10, 11, 15, 16, 21, 23, 26, 30, 34, 51, 55, 58, 64, 65, 70.
2	<p>Time value of money (Ch 4) continued</p> <ul style="list-style-type: none"> <li>Valuing multiple cash flows</li> <li>Perpetuities</li> <li>Annuities</li> <li>Growing annuities and perpetuities</li> </ul>	
3	<p>Valuation of Bonds and Stocks (Ch 8 and Ch 9)</p> <ul style="list-style-type: none"> <li>What are bonds</li> <li>Yields, interest rates and bond prices</li> <li>Term structure of interest rates</li> <li>What is a stock</li> <li>Valuing stocks</li> <li>Commonly used valuation multiples</li> </ul> <p>Read Ch. 15 for more on stocks and bonds</p> <p>Market efficiency (Ch 14)</p> <ul style="list-style-type: none"> <li>What is market efficiency</li> <li>Market efficiency and financial management</li> </ul>	<p>Ch 8. P. 1, 3, 6, 7, 9, 10, 11, 13, 14, 16, 19, 25, 27.</p> <p>Ch 9. P. 2, 3, 6, 7, 9, 10, 11, 13, 14, 16, 18, 19, 23, 25, 26, 27, 31, 33, 35.</p>
	<b>Midterm exam One (Tentative)</b>	
4	<p>Risk and return, and the CAPM (Ch 10 and 11)</p> <ul style="list-style-type: none"> <li>What is risk</li> <li>Describing returns and return distributions</li> <li>Security returns and risk</li> <li>Portfolio returns and risk</li> <li>Diversification</li> </ul>	<p>Ch 10. P. 4, 8, 9, 10, 13, 15, 17, 19, 22, 27, 28.</p> <p>Ch 11. P. 1, 2, 6, 9, 10, 11, 13, 16, 18, 19, 20, 23, 26, 27, 28, 29, 30, 31, 34, 35, 36, 37.</p>
5&6	<p>Risk and return, and the CAPM (Ch 10 and 11)</p> <ul style="list-style-type: none"> <li>The efficient frontier</li> <li>Capital Market Line</li> <li>CAPM and Security Market Line</li> </ul>	

	<ul style="list-style-type: none"> <li>• Systematic and unsystematic risk</li> </ul>	
7&8	Decision rules for capital investments (Ch 5) <ul style="list-style-type: none"> <li>• Net present value (NPV)</li> <li>• Internal rate of return (IRR)</li> <li>• Payback period</li> <li>• Profitability index (PI)</li> <li>•</li> </ul>	Ch 5. P. 1, 3, 6, 7, 9, 11, 12, 13, 15, 16, 19, 23, 25
	<b>Midterm Exam Two (Tentative)</b>	
8, 9&10	Pro-forma analysis (Ch 3) <ul style="list-style-type: none"> <li>• Forecasting financials</li> </ul> Cash flows and Cost of capital (Ch 6 and Ch13) <ul style="list-style-type: none"> <li>• Accounting for “hidden” costs and benefits</li> <li>• Equivalent Annual Cost (EAC)</li> <li>• Cost of equity, debt and preferred stock</li> <li>• Estimating Beta</li> <li>• Determinants of Beta</li> <li>• Levering and unlevering Beta</li> <li>• Weighted Average Cost of Capital (WACC)</li> </ul>	Ch 3. P. 2, 3, 4, 6, 9, 13, 24, 26, 28  Ch 6. P. 2, 8, 11, 12, 14, 16, 19, 21, 25, 30, 31, 33, 34  Ch 13. P. 2, 6, 7, 9, 11, 14, 15, 17, 22, 23
11	Issues in capital budgeting (Ch 7) <ul style="list-style-type: none"> <li>• Sensitivity and scenario analysis</li> <li>• Breakeven analysis</li> </ul>	
12	Capital budgeting and capital structure (Ch 18) <ul style="list-style-type: none"> <li>• The Weighted Average Cost of Capital (WACC) Method</li> <li>• The Adjusted Present Value Method (APV) Method</li> <li>• The Flow to Equity (FTE) Method</li> <li>• Choosing a valuation technique</li> </ul>	Ch 18. P. 1, 3, 4, 5, 13, 14, 15, 17
	<b>Time Permitting</b>	
13	Introduction to capital structure (Ch 16) <ul style="list-style-type: none"> <li>• Financing decisions in perfect markets</li> <li>• Taxes on debt vs equity</li> <li>• The role of market imperfections</li> </ul>	Ch 16. P. 1, 3, 6, 7, 8, 9, 14, 17, 19, 22, 24, 30
14	Taxes and distress costs (Ch 17) <ul style="list-style-type: none"> <li>• Corporate and personal taxes</li> <li>• Distress costs</li> </ul>	Ch 17. P. 1, 3, 4, 6, 8, 10
	<b>Final Exam during finals week (December 11 through 17)</b>	